

the writer of the Bulletin, like myself, generally prefers the arithmetic mean.

[I might mention, without details, that the methods of the "Median," the "Mode," and the "Harmonic" mean have also been advocated in the formation of an average.]

4. I should also have recorded the Reports upon Index Numbers which are issued annually by our Board of Trade.

The base there employed is the year 1900; the prices are adopted for the years 1871-1906, and the Index Numbers refer to forty-five Articles—mainly raw materials.

The Index Number is weighted on the basis of the amount of consumption of the different commodities in the "United Kingdom; and "consumption" is defined as any process by which the commodity is substantially changed in character—not a very lucid mark.

5. As regards the computations of the *Economist*, the basis for calculations of the Index Number was, in 1911, altered to that year, and the number of commodities employed was then increased to forty-four instead of twenty-two. The

Index is founded upon the simple arithmetic average. It is

worth while condensing the comments of the *Economist* when effecting the change. A specified

number of representative commodities is chosen; the prices of these for a given

year or series of years are adopted as a basis, and the price

at the date when the calculation is required is computed as

a percentage of the base-price; these percentages are then

combined to form a composite number representing the percentage alteration in price in the entire group of commodities.

Thus, if wheat has risen between (say) 1850 and 1860, 20 per

cent; beef, 30 per cent; cotton, 24 per cent, and pig-iron,

26 per cent, then, taking these articles as a whole, the rise

so that the $\frac{20+30+24+28}{400} \times 100$ per cent (i.e. $\frac{100}{400} \times 100$)

Index Number for the latter date would be 125 with 100 as the basis, or 500 if 400 had been selected as the basis. Hence, the Index Number does not represent any given price, and may not even represent the change of any particular commodity. But the system is a device for comparing a whole series of otherwise incomparable price-schedules, where the